

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 IO-13 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05  
SS-15 STR-07 ITC-01 ICA-11 SP-02 SOE-02 OMB-01  
DOE-15 STRE-00 OPIC-03 /139 W

-----074567 190806Z/14

R 190740Z APR 78

FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC 7208  
INFO TREASURY/DEP WASHDC  
AMEMBASSY BRUSSELS  
USMISSION GENEVA  
AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 06824

DEPT. PASS STR ELECTRONICALLY

USEEC

USOEC

USMTN ALSO FOR USMISSION

E.O. 11652: GDS

TAGS: ETRD, EIND, JA, EEC, OECD, MTN

SUBJECT: STEEL: JAPANESE VIEWS ON INTERNATIONAL  
ARRANGEMENT

REF: (A) BRUSSELS 7070, (B) TOKYO 5650, (C) TOKYO 4808,  
(D) STATE 73009

1. SUMMARY: COMMENTS FROM OUR WORKING LEVEL CONTACTS ON  
U.S.-PROPOSED INTERNATIONAL STEEL ARRANGEMENT HAVE CONTINUED  
TO BE QUITE NEGATIVE ON WHAT THEY PERCEIVE TO BE INEVITABLE  
TRADE-RESTRICTIVE IMPLICATIONS. CONSISTENT WITH THEIR  
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DESIRE TO AVOID ANY ELEMENT OF SURPRISE, THE JAPANESE ARE  
ALSO DISTURBED AT WHAT SEEMS TO THEM THE ABRUPT MANNER IN  
WHICH OUR PROPOSALS HAVE BEEN CONVEYED. AS WE PREPARE FOR  
OUR PENDING STEEL TALKS IN WASHINGTON AND PARIS, WE SHOULD  
REMEMBER THAT WHILE THE JAPANESE ARE CERTAINLY WILLING IN  
PRINCIPLE TO COOPERATE IN HANDLING STEEL TRADE PROBLEMS,  
WE HAVE A LONG WAY TO GO BEFORE WE OVERCOME SOME FUNDAMENTAL

RESERVATIONS ON THEIR PART. AS ALWAYS, THE JAPANESE WILL WANT EVERY DETAIL ACCOUNTED FOR BEFORE THEY MOVE. THE EMBASSY CAN HELP THIS PROCESS ALONG THROUGH STEADY, LOW-KEY CONSULTATIONS IF WE ARE KEPT INFORMED OF PLANNING IN WASHINGTON. END SUMMARY.

2. SINCE FIRST DISCUSSIONS HERE MARCH 30-31, GOJ AND JAPANESE STEEL INDUSTRY REPS HAVE MADE NUMEROUS COMMENTS ON OUR PROPOSED INTERNATIONAL STEEL AGREEMENT. DURING APRIL 10 MEETING WITH ASSISTANT SECRETARY KATZ, MITI BASIC INDUSTRIES BUREAU DIRECTOR GENERAL AMAYA REPEATEDLY EXPRESSED DOUBT OVER THE NEED FOR AN INTERNATIONAL STEEL FORUM. WHILE ACKNOWLEDGING USG INTEREST IN A MORE HIGHLY VISIBLE STEEL FORUM AS A MEASURE TO RELIEVE DOMESTIC PROTECTIONIST PRESSURE (WHAT HE CALLED "A TRANQUILIZER FOR THE U.S. INDUSTRY"), AMAYA STILL SEEMS TO THINK THAT THE OECD GROUPS WILL SUFFICE FOR NECESSARY CONSULTATIONS AND VIEWS OUR PROPOSAL AS A MAJOR STEP TOWARD CARTELIZATION OF WORLD STEEL TRADE. HE WAS PARTICULARLY INTERESTED IN ASCERTAINING THE LEGAL RATIONALE FOR A NEW STEEL FORUM (I.E., GATT OR OECD), AND STATED CONCERN OVER PROBLEMS IN "COORDINATION" THAT WOULD RESULT FROM PARTICIPATION OF LDC PRODUCERS. AMAYA ALSO QUESTIONED KATZ ON OUR INTEREST IN PROMOTING "ORDERLY INVESTMENTS" AMONG STEEL PRODUCERS; HE IS UNDER THE IMPRESSION THAT THE U.S. INDUSTRY REGARDS THIS AS A MAJOR OBJECTIVE IN CONCLUDING AN

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INTERNATIONAL STEEL AGREEMENT. INFORMAL CONVERSATION WITH WORKING LEVEL OFFICERS AT MITI IRON AND STEEL DIVISION FOLLOWING APRIL 11 TRILATERAL IN BRUSSELS INDICATED NO SIGNIFICANT CHANGE IN GOJ CONCERN OVER SECTORAL IMPLICATIONS OF OUR PROPOSALS (AND OF COURSE THOSE OF THE EC).

3. OUR DISCUSSIONS WITH WORKING-LEVEL STEEL INDUSTRY REPS APRIL 12-13 ALSO REFLECTED CONCERN OVER THE DIRECTION OF OUR PROPOSALS ON STEEL. NIPPON STEEL OFFICIALS TOLD US THAT WHILE THE JAPANESE INDUSTRY IS READY AND WILLING TO CONTRIBUTE TO FURTHER TALKS ON HANDLING STEEL TRADE ISSUES, WE MUST GIVE THEM A MORE CLEAR IDEA OF WHAT WE WANT, AND WE MUST IN PARTICULAR BE CAREFUL TO AVOID USING OLD, LOADED CATCHWORDS (E.G. "SECTOR" OR "AGREEMENT") TO DESCRIBE A NEW PROPOSAL. WHILE WE HAVE STRESSED TO THE JAPANESE THAT THEY MUST BE MORE FORTHCOMING IN CONTRIBUTING THEIR OWN IDEAS TO MULTILATERAL STEEL DISCUSSIONS, WE WILL CONTINUE TO ENCOUNTER A VERY CAUTIOUS, DEFENSIVE APPROACH TO SUCH MEETINGS.

4. OUR PROBLEMS IN BRINGING THE JAPANESE ALONG ON A NEW STEEL ARRANGEMENT APPEARS TO BE AS MUCH IN STYLE AS SUBSTANCE. CONTACTS IN THE GOJ AND THE INDUSTRY HAVE PRIVATE-

LY EXPRESSED DISMAY WITH OUR PROPOSAL'S SUDDEN DELIVERY AS WELL AS THE ABRUPT TIMING AND BRIEF DURATION OF THE USG TEAM'S MARCH VISIT. HOWEVER, THIS DOES NOT MEAN THAT THE JAPANESE ARE BEING TRUCULENT. ON THE CONTRARY, AMAYA AND HIS STEEL SPECIALISTS IN MITI'S BASIC INDUSTRIES BUREAU ARE SINCERE IN THEIR EFFORTS TO COOPERATE WITH US ON THE STEEL ISSUE. IN SPITE OF CONTINUED DISAGREEMENTS OVER THE PROBLEM OF RELEASING SENSITIVE DATA TO U.S. INVESTIGATORS, THE SAME CAN BE SAID FOR JAPAN'S MAJOR STEEL PRODUCERS. TRADE POLICY OFFICIALS IN MITI AND MOFA (FOR WHOM TAKAHASHI IS NOT AN ESPECIALLY CREDIBLE SPOKESMAN) WILL CONTINUE TO HAVE HEARTBURN OVER THE TRADE-RESTRICTIVE

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IMPLICATIONS OF NEW STEEL PROPOSALS, BUT THIS IN ITSELF NEED NOT BE AN INSURMOUNTABLE OBSTACLE. STILL, WE MAY RUN INTO SERIOUS PROBLEMS BECAUSE THE JAPANESE, AS ALWAYS, WILL WANT EVERY DETAIL IN PLACE AND WILL GO TO GREAT LENGTHS TO AVOID WHAT THEY SEE AS ANY ELEMENT OF UNCERTAINTY BEFORE THEY TAKE ACTION.

5. DESPITE USG ASSURANCES TO THE CONTRARY, THERE REMAINS A WIDELY HELD CONSENSUS HERE THAT THE INEVITABLE CONCLUSION OF OUR PROPOSED STEEL ARRANGEMENT IS ANOTHER MFA. WE APPRECIATED WASHINGTON'S WILLINGNESS TO COME TO TOKYO FOR FIRST-HAND TALKS, BUT AN APPROACH THAT THE JAPANESE PERCEIVE TO BE OVERLY ABRUPT IN TIMING OR LACKING IN SUFFI-

CIENT CONSULTATION COULD WELL PROVE COUNTERPRODUCTIVE IN  
ENCOURAGING LONG-STANDING FEARS THAT JAPAN IS BEING DRIVEN  
INTO A CORNER BY COMBINED U.S.-EC PRESSURE ON STEEL. WE IN  
THE EMBASSY CAN HELP EASE SUCH FEARS BY STEADY, LOW-KEY  
CONSULTATIONS, BUT CAN ONLY DO SO TO THE EXTENT THAT WE  
ARE PROVIDED WITH TIMELY INFORMATION ON PLANNING IN  
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WASHINGTON. MANSFIELD

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## Message Attributes

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